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TO : Comptroller

FROM : Finance Division

SUBJECT: Emergency Planning -- Cash Reserves

DATE: 17 September 1954

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1. In January 1951, there was submitted for consideration, a memorandum which recommended the development of a program to provide immediately available cash funds for short-term emergency requirements in the event of an enemy attack. The program provided for cash reserves to be held in safety deposit boxes in [redacted] communities, [redacted] miles distant from Washington. In February 1951, it was determined that no action was to be taken on the proposal until such time as an overall Agency Emergency Plan was formulated.

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2. During the intervening period, new developments in emergency planning within and outside the Agency have occurred, necessitating a reconsideration of our original proposal. Three major changes should be considered:

a. An Agency Emergency Plan has been formulated, and an Emergency Headquarters, with vault facilities, has been established.

b. Cash requirements have increased materially from the date of our original recommendations.

c. The greater potential for destruction of the thermo-nuclear weapons has greatly increased the problems of communications and transportation.

3. During this interim period, also, the Department of the Treasury and the Federal Reserve System have developed plans intended to ensure the supply of funds in an emergency. Briefly, these plans are as follows:

a. Treasury has made provisions to ensure that funds, in the form of Treasury checks, will be available to previously designated individuals of government departments and agencies. After the initial shock of the emergency, it will be prepared to provide such currency notes and coin as may be required. The source of this currency will be the Federal Reserve Bank [redacted] for the general area of Washington. Baltimore, Philadelphia, Atlanta Reserve Banks would be alternative sources should [redacted] be in the target area. Withdrawals by and payments to designated individuals will be authorized by Treasury.

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b. The Federal Reserve System has taken elaborate precautions to ensure the continuation of the money supply in an emergency. Large amounts of currency have been stockpiled in all of the District Reserve Banks. They have moved their communications

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center to a point outside the Washington area. They believe that adequate banking business, outside any specific target area, could be resumed within a short time after the initial crisis.

4. Quite possibly, the successful accomplishment of these two plans would greatly relieve the severity of any crisis of a monetary nature with respect to the financial requirements for:

- a. The general public
- b. Private business
- c. Local and state governments
- d. Federal Government activities engaged in routine, domestic affairs

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CIA should make a full attempt to participate in, and benefit from, these plans. However, in our opinion, we cannot rely entirely and solely upon these or any other U. S., or quasi-government emergency plans. Communications and transportation problems which certainly would develop between our Emergency Headquarters and [redacted] miles distant, would be most difficult to overcome. Since the CIA Emergency Plan has provided for space, personnel, materiel, etc., it would seem only logical that cash funds should be considered as essential to the conduct of the priority activities utilizing these items.

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5. The recommendation is made, therefore, that CIA plan for independent action to ensure that funds, in an adequate amount, are available. To accomplish this, action should be taken now to provide for a two weeks supply of cash funds to be held in a safe place, to which immediate access could be gained without having to seek the approval of, or to coordinate with, any outside authority.

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6. At our present rate of expenditure, it would take approximately [redacted] in bank credits and [redacted] in cash to sustain our operations for a two week period. These figures are acceptable for emergency planning purposes since extraordinary demands which may be made upon us in an emergency would be offset by a deferment of certain items, not considered to be essential, under the circumstances. Normal working balances in our official bank accounts should provide the required bank reserves and, therefore, cash rather than bank balances, is our chief concern. In anticipating other emergency contingencies, consideration might also be given to the stockpiling of substantial quantities of [redacted] currencies and some nominal amount of gold coin.

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7. It is proposed that this reserve fund be held in the vault area of our Emergency Headquarters, under optimum safekeeping controls. It should be kept in a heavy duty safe, with the combination known only to those individuals, designated for duty on the staff of the Comptroller at the Emergency Headquarters, who would be directly concerned. These individuals could be

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the Comptroller and his Deputy, the Chief of the Finance Division and his Deputy, and the Chief, Monetary Branch and his Deputy. As a further precaution, the combination might be placed in an envelope, with proper instructions noted thereon, and then placed in an outer envelope, to be held with critical material of the Comptroller's Office. The safe could be sealed, with the seal bearing the names of the designated custodians. As frequently as may be felt necessary, the seals could be examined by two of the custodians, accompanied by a designated member of the Audit Office.

8. The establishment of a cash reserve fund for use in circumstances of extreme emergency, naturally, has no specific precedent, however, other corollary examples of emergency planning for financial continuity are

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Chief, Monetary Branch

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